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SUBJECT: NEW ZEALAND REVIEWING MEDICINES POLICY

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¶1. (SBU) Summary: The New Zealand government has launched a review of its long-term medicines strategy, aiming to identify ways to improve the drug-purchasing system that controls the range and price of most prescription medicines in the country. The review follows more than a year of escalating public complaints over the government's failure to fund a number of high-priced medicines for a range of illnesses. Both the pharmaceutical industry and the government's drug-buying agency have welcomed the review. End summary.

¶2. (U) Associate Health Minister Peter Dunne formally announced the review on April 13. The ruling Labour Party had committed to such a review as part of its agreement with Dunne's United Future party to form a government after the September 17 elections. The opposition National Party -- which created the drug-purchasing entity, the Pharmaceutical Management Agency (PHARMAC), while in government in 1993 -- also supports the review.

¶3. (U) The review will focus on three areas: access to medicines, particularly to new and high-cost medicines, which would include looking at PHARMAC's role in assessing which medicines should be publicly funded; the quality of medicines available in New Zealand; and, the rational use of medicines, or ensuring that medicines are not used to unnecessarily prolong or even cause ill health. The review also will assess how the pharmaceutical budget is set, whether it is adequate and whether it should continue to be part of District Health Board spending plans. There are 21 such boards in New Zealand, responsible for providing government-funded health care services for the population in a designated geographical area.

¶4. (U) For the review, the Ministry of Health is consulting a variety of groups, including the industry, government departments, health practitioners and patients' and consumer groups. The Ministry also is studying systems in such countries as Australia, Canada, Ireland and the United Kingdom. The Ministry will draft a report to be submitted to Cabinet for approval by November and then released for public comments by year's end. In early 2007, government ministers are expected to receive the Ministry's recommendations on next steps and then decide whether and how to implement them.

¶5. (SBU) The review is one reason why the pharmaceutical industry is cautiously optimistic about the prospect of changes to the drug-purchasing system, which has crimped the industry for the past 13 years (reftel). An industry representative noted that Minister Dunne has instructed the Ministry to ensure the report reflects the opinions of those affected by the medicines policy. So far, the representative said, the consultations have been inclusive and

collaborative. The industry hopes the review will achieve -- at a minimum -- "more realistic funding" for pharmaceuticals and greater transparency in PHARMAC's decision-making.

¶16. (SBU) Meanwhile, PHARMAC hopes the review will result in an increase in its budget for drug purchases. The agency has found it increasingly difficult to choose between funding expensive drugs for less common diseases and funding cheaper medicines that help larger numbers of patients. Its decisions in the past year have focused greater public attention to the plight of patients with life-threatening diseases who were unable to afford unsubsidized medicines. PHARMAC has been reviewing its decision-making process for high-cost drugs, which may serve as input for the medicines strategy review.

¶17. (SBU) Dunne has criticized PHARMAC for emphasizing cost containment when deciding which medicines to subsidize. A Ministry of Health official, however, warned against expecting a huge increase in the pharmaceutical budget.

¶18. (SBU) The official also cautioned against turning the consultations into an attack on PHARMAC. For example, pointing out that Australia subsidizes a larger number of medicines than New Zealand would be a "fruitless exercise," the official said. Instead, an appropriate question might be how Australia decides its funding priorities.

¶19. (SBU) Comment: Post understands that the medicines strategy review will be discussed at the U.S.-New Zealand Trade and Investment Framework Agreement talks set for June 27. Pharmaceutical industry representatives say they hope the U.S. side will acknowledge the review in a positive way, without any measure of pressure. The industry is pleased that the government has undertaken the review, wants to be seen as a constructive partner

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and hopes to preserve the cooperative spirit that so far has marked the consultations.

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